

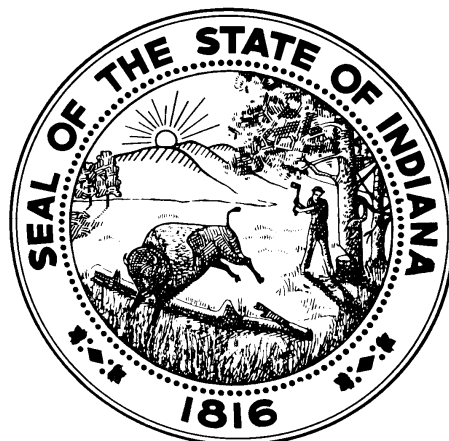
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2007

CITY OF CONNERSVILLE

FAYETTE COUNTY, INDIANA



FILED
09/09/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	8
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Funds	9
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	10
Notes to Financial Statements	11-21
Required Supplementary Information:	
Schedules of Funding Progress	22
Schedule of Contributions From the Employer and Other Contributing Entities	23
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds	24-28
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Pension Trust Funds	29
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Private-Purpose Trust Funds	30
Schedule of Capital Assets	31
Schedule of Long-Term Debt	32
Other Report	33
Audit Result and Comment:	
Private Property	34
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	36-37
Schedule of Expenditures of Federal Awards	38
Notes to Schedule of Expenditures of Federal Awards	39
Schedule of Findings and Questioned Costs	40
Auditee Prepared Schedule:	
Summary Schedule of Prior Audit Findings	41
Exit Conference	42

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Julie A. Greeson	01-01-07 to 12-31-10
Mayor	Max A. Ellison, Jr. Leonard Urban	01-01-04 to 12-31-07 01-01-08 to 12-31-08
President of the Board of Public Works and Safety	Max A. Ellison Leonard Urban	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Common Council	Mark Brockman David Jobe	01-01-07 to 12-31-07
Director of Utilities	Harold Ellison	01-01-07 to 12-31-08
Utilities Office Manager	Karen L. Lore	01-01-07 to 12-31-08



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE CITY OF CONNERSVILLE, FAYETTE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Connersville (City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2007, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated August 26, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 26, 2008



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF CONNERSVILLE, FAYETTE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Connerville (City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the City's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 26, 2008

CITY OF CONNERSVILLE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2007

Program Receipts					Net (Disbursement) Receipt and Changes in Net Assets		
					Primary Government		
Functions/Programs	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 3,157,177	\$ 430,119	\$ -	\$ 1,719,590	\$ (1,007,468)	\$ -	\$ (1,007,468)
Public safety	6,845,057	727,230	23,210	118,400	(5,976,217)	-	(5,976,217)
Highways and streets	1,278,591	14,875	-	-	(1,263,716)	-	(1,263,716)
Sanitation	1,258,307	417,037	-	-	(841,270)	-	(841,270)
Health and welfare	50,722	-	-	-	(50,722)	-	(50,722)
Urban development and housing	207,442	-	-	207,442	-	-	-
Economic development	776,223	-	-	625,000	(151,223)	-	(151,223)
Culture and recreation	793,487	163,682	-	-	(629,805)	-	(629,805)
Interest on long-term debt	102,321	-	-	-	(102,321)	-	(102,321)
Total governmental activities	14,469,327	1,752,943	23,210	2,670,432	(10,022,742)	-	(10,022,742)
Business-type activities:							
Water	3,099,615	2,612,181	-	-	-	(487,434)	(487,434)
Wastewater	2,648,974	2,798,904	-	-	-	149,930	149,930
Storm water	1,567,894	947,669	-	251,821	-	(368,404)	(368,404)
Rotary fund	76,347	97,130	-	-	-	20,783	20,783
Total business-type activities	7,392,830	6,455,884	-	251,821	-	(685,125)	(685,125)
Total primary government	\$ 21,862,157	\$ 8,208,827	\$ 23,210	\$ 2,922,253	(10,022,742)	(685,125)	(10,707,867)
General receipts:							
Property taxes					7,121,355	-	7,121,355
Other local sources					3,750,118	-	3,750,118
Grants and contributions not restricted to specific programs					28,123	-	28,123
Unrestricted investment earnings					305,614	-	305,614
Total general receipts					11,205,210	-	11,205,210
Change in net assets					1,182,468	(685,125)	497,343
Net assets - beginning					6,482,803	8,459,939	14,942,742
Net assets - ending					\$ 7,665,271	\$ 7,774,814	\$ 15,440,085
<u>Assets</u>							
Cash and investments					\$ 4,410,017	\$ 2,664,008	\$ 7,074,025
Restricted assets:							
Cash and investments					3,255,254	5,110,806	8,366,060
Total assets					\$ 7,665,271	\$ 7,774,814	\$ 15,440,085
<u>Net Assets</u>							
Restricted for:							
General government					\$ 359,274	\$ -	\$ 359,274
Public safety					52,937	-	52,937
Highways and streets					1,112,325	-	1,112,325
Culture and recreation					403,585	-	403,585
Economic development					788,389	-	788,389
Debt service					8,580	1,176,457	1,185,037
Insurance premiums					801,719	-	801,719
Construction					-	3,014,887	3,014,887
Customer deposits					-	201,197	201,197
Other purposes					-	718,265	718,265
Unrestricted					4,138,462	2,664,008	6,802,470
Total net assets					\$ 7,665,271	\$ 7,774,814	\$ 15,440,085

The notes to the financial statements are an integral part of this statement.

CITY OF CONNERSVILLE
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	General	Airport Improvement	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 5,911,856	\$ -	\$ 1,209,499	\$ 7,121,355
Intergovernmental	2,011,265	1,719,590	2,508,720	6,239,575
Charges for services	1,378,037	-	374,905	1,752,942
Fines and forfeits	9,199	-	10,500	19,699
Other	306,134	-	123,946	430,080
Total receipts	9,616,491	1,719,590	4,227,570	15,563,651
Disbursements:				
General government	1,063,468	-	396,873	1,460,341
Public safety	6,682,079	-	162,978	6,845,057
Highways and streets	24,321	-	1,181,784	1,206,105
Sanitation	1,258,307	-	-	1,258,307
Health and welfare	50,722	-	-	50,722
Culture and recreation	10,000	-	693,837	703,837
Urban redevelopment and housing	-	-	207,442	207,442
Economic development	31,223	-	625,000	656,223
Debt service:				
Principal	-	-	85,000	85,000
Interest	-	-	102,321	102,321
Capital outlay:				
General government	-	1,696,836	-	1,696,836
Highways and streets	-	-	72,486	72,486
Culture and recreation	-	-	124,650	124,650
Total disbursements	9,120,120	1,696,836	3,652,371	14,469,327
Excess of receipts over disbursements	496,371	22,754	575,199	1,094,324
Other financing sources (uses):				
Transfers in	-	-	220,106	220,106
Transfers out	-	-	(220,106)	(220,106)
Total other financing sources	-	-	-	-
Excess of receipts and other financing sources over disbursements and other financing uses	496,371	22,754	575,199	1,094,324
Cash and investment fund balance - beginning	2,921,753	162,077	2,685,398	5,769,228
Cash and investment fund balance - ending	\$ 3,418,124	\$ 184,831	\$ 3,260,597	6,863,552

Amounts reported for governmental activities in the Statement of Activities and Net Assets -

Cash and Investment Basis are different because:

Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.

801,719

Net assets of governmental activities

\$ 7,665,271

Cash and Investment Assets - December 31

Cash and investments	\$ 3,418,124	\$ -	\$ 991,893	\$ 4,410,017
Restricted assets:				
Cash and investments	-	184,831	2,268,704	2,453,535
Total cash and investment assets - December 31	\$ 3,418,124	\$ 184,831	\$ 3,260,597	\$ 6,863,552

Cash and Investment Fund Balance - December 31

Restricted for:				
General government	\$ -	\$ 184,831	174,443	359,274
Public safety	-	-	52,937	52,937
Highways and streets	-	-	1,112,325	1,112,325
Culture and recreation	-	-	403,585	403,585
Economic development	-	-	788,389	788,389
Debt service	-	-	8,580	8,580
Unrestricted	3,418,124	-	720,338	4,138,462
Total cash and investment fund balance - December 31	\$ 3,418,124	\$ 184,831	\$ 3,260,597	\$ 6,863,552

The notes to the financial statements are an integral part of this statement.

CITY OF CONNERSVILLE
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2007

	Water Utility	Wastewater Utility	Storm Water Utility	Rotary Fund	Totals	Internal Service Funds
Operating receipts:						
Metered water receipts:						
Residential	\$ 1,429,904	\$ 1,761,649	\$ 373,210	\$ -	\$ 3,564,763	\$ -
Commercial	379,215	496,147	334,258	-	1,209,620	-
Industrial	316,406	346,925	158,179	-	821,510	-
Fuel sales	-	-	-	93,503	93,503	-
Fire protection receipts	162,944	-	-	-	162,944	-
Other receipts	94,012	49,632	2,378	3,627	149,649	-
Self-insurance collections	-	-	-	-	-	1,822,187
Total operating receipts	<u>2,382,481</u>	<u>2,654,353</u>	<u>868,025</u>	<u>97,130</u>	<u>6,001,989</u>	<u>1,822,187</u>
Operating disbursements:						
Cost of sales and services	-	-	-	76,347	76,347	-
Health care costs	-	-	-	-	-	1,734,043
Salaries and wages	984,358	1,512,629	382,977	-	2,879,964	-
Purchased power	147,355	136,054	-	-	283,409	-
Chemicals	16,428	13,002	-	-	29,430	-
Material and supplies	151,058	26,007	68,781	-	245,846	-
Contractual services	108,536	24,881	357,538	-	490,955	-
Payment in lieu of taxes	132,901	111,104	-	-	244,005	-
Office expense	76,210	95,056	-	-	171,266	-
Transportation disbursements	23,098	35,836	3,065	-	61,999	-
Insurance disbursements	41,816	73,271	9,282	-	124,369	-
Construction costs	750,692	40,068	678,147	-	1,468,907	-
Miscellaneous disbursements	49,656	52,978	68,104	-	170,738	-
Total operating disbursements	<u>2,482,108</u>	<u>2,120,886</u>	<u>1,567,894</u>	<u>76,347</u>	<u>6,247,235</u>	<u>1,734,043</u>
Excess (deficiency) of operating receipts over operating disbursements	<u>(99,627)</u>	<u>533,467</u>	<u>(699,869)</u>	<u>20,783</u>	<u>(245,246)</u>	<u>88,144</u>
Nonoperating receipts (disbursements):						
Interest and investment receipts	198,195	114,161	79,644	-	392,000	-
Miscellaneous receipts	31,505	30,390	-	-	61,895	-
Debt service of principal	(250,000)	(275,000)	-	-	(525,000)	-
Interest and investment disbursement	(325,490)	(217,973)	-	-	(543,463)	-
Miscellaneous disbursements	(42,017)	(35,115)	-	-	(77,132)	-
Total nonoperating receipts (disbursements)	<u>(387,807)</u>	<u>(383,537)</u>	<u>79,644</u>	<u>-</u>	<u>(691,700)</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	<u>(487,434)</u>	<u>149,930</u>	<u>(620,225)</u>	<u>20,783</u>	<u>(936,946)</u>	<u>88,144</u>
Capital contributions	-	-	251,821	-	251,821	-
Excess (deficiency) of receipts and contributions over disbursements	<u>(487,434)</u>	<u>149,930</u>	<u>(368,404)</u>	<u>20,783</u>	<u>(685,125)</u>	<u>88,144</u>
Cash and investment fund balance - beginning	<u>4,185,140</u>	<u>2,320,045</u>	<u>1,919,231</u>	<u>35,523</u>	<u>8,459,939</u>	<u>713,575</u>
Cash and investment fund balance - ending	<u>\$ 3,697,706</u>	<u>\$ 2,469,975</u>	<u>\$ 1,550,827</u>	<u>\$ 56,306</u>	<u>\$ 7,774,814</u>	<u>\$ 801,719</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ 572,001	\$ 487,109	\$ 1,548,592	\$ 56,306	\$ 2,664,008	\$ -
Restricted assets:						
Cash and investments	<u>3,125,705</u>	<u>1,982,867</u>	<u>2,234</u>	<u>-</u>	<u>5,110,806</u>	<u>801,719</u>
Total cash and investment assets - December 31	<u>\$ 3,697,706</u>	<u>\$ 2,469,976</u>	<u>\$ 1,550,826</u>	<u>\$ 56,306</u>	<u>\$ 7,774,814</u>	<u>\$ 801,719</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Debt service	\$ 516,174	\$ 660,283	\$ -	\$ -	\$ 1,176,457	\$ -
Construction	2,482,360	530,293	2,234	-	3,014,887	-
Customer deposits	126,847	74,350	-	-	201,197	-
Insurance premiums	-	-	-	-	-	801,719
Other purposes	324	717,941	-	-	718,265	-
Unrestricted	<u>572,001</u>	<u>487,109</u>	<u>1,548,592</u>	<u>56,306</u>	<u>2,664,008</u>	<u>-</u>
Total cash and investment fund balance - December 31	<u>\$ 3,697,706</u>	<u>\$ 2,469,976</u>	<u>\$ 1,550,826</u>	<u>\$ 56,306</u>	<u>\$ 7,774,814</u>	<u>\$ 801,719</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CONNERSVILLE
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2007

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Employer	\$ 472,335	\$ -	\$ -
Plan members	2,477	-	-
State	1,140,738	-	-
Other	-	13,028	-
Total contributions	<u>1,615,550</u>	<u>13,028</u>	<u>-</u>
Investment earnings:			
Interest	-	9,043	-
Agency fund additions	-	-	12,606,443
Total additions	<u>1,615,550</u>	<u>22,071</u>	<u>12,606,443</u>
Deductions:			
Benefits	1,656,410	-	-
Administrative and general	6,414	28,265	-
Agency fund deductions	-	-	12,606,443
Total deductions	<u>1,662,824</u>	<u>28,265</u>	<u>12,606,443</u>
Deficiency of total additions over total deductions	(47,274)	(6,194)	-
Cash and investment fund balance - beginning	<u>1,386,873</u>	<u>180,164</u>	<u>-</u>
Cash and investment fund balance - ending	<u>\$ 1,339,599</u>	<u>\$ 173,970</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water, municipal airport and economic development.

The City's financial reporting entity is composed of the following:

Primary Government: City of Connorsville

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Related Organizations

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The airport improvement fund which finances all major construction projects at the airport.

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

The storm water utility fund accounts for the operation of the storm water collection system.

The rotary fund accounts for the operation of fuel sales at the City owned airport.

Additionally, the City reports the following fund types:

The internal service fund accounts for health insurance provided to other departments on a cost-reimbursement basis.

The pension trust funds account for the activities of the 1925 police and 1937 firefighters' pension, which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the benefactors of the individual trust agreement.

Agency funds account for assets held by the City as an agent for payroll and payroll withholdings funds and serve as a control of accounts for certain cash transactions during the time they are a liability to the City.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water, wastewater and storm water functions of the government. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2007</u>
Other governmental funds	Other governmental funds	<u>\$ 220,106</u>

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The policy of the City is to purchase commercial insurance for the risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and medical benefits to employees in certain City departments.

Medical Benefits to employees, Retirees, and Dependents

The City has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents. The risk financing fund is accounted for in the Nonreverting Insurance Fund, an internal service fund, where assets are set aside for claim settlements. The City deposits a fixed maximum amount per month based on the number of active participants with a commercial insurance company from which health insurance claims are paid. The insurance company covers all claims exceeding that amount and any claims of more than \$60,000 annually on any one person. Amounts are paid into the fund by all insured funds and are available to make the monthly deposit and to pay administrative costs of the program. Interfund premiums are based upon the insurance coverage selected by employees paid from each fund, and are reported as quasi-external interfund transactions.

Job Related Illnesses or Injuries to Employees

During 2001, the City joined together with other governmental entities to form the Indiana Public Employees Plan, a public entity risk pool currently operating as a common risk management and insurance program for approximately 350 member governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

The policy of the City is to not purchase commercial insurance for the risks of loss related to natural disasters. Instead, the primary government records, as an expenditure, any loss as the liability is incurred or replacement items are purchased.

B. Subsequent Events

The Department of Storm Water Management is in the process of a major construction project consisting of building a major trunk line and totally rebuilding West 20th Street, including the street and curbs. The project is being funded by a Federal grant through the Indiana Department of Transportation in the amount of \$1,284,000 and local funds consisting of a Bond Anticipation Note in the amount of \$585,000, issued on April 25, 2006. The bonds were originally expected to be sold by December 31, 2007; however, due to legal issues involving two separate easements, the expected date is now anticipated to be February 28, 2009.

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Postemployment Benefits

The City provides postemployment health insurance and life insurance benefits as authorized by Indiana Code 5-10-8, to all police and fire employees who retire after attaining age 52 with at least 20 years of service and to all other City employees on or after attaining age 60 with at least 15 years of service. Currently, 49 retirees meet these eligibility requirements. The City provides 100% of these benefits. Disbursements for these postemployment benefits are recognized on a pay as you go basis. During the year ended December 31, 2006, expenditures of \$482,113 were recognized for postemployment benefits.

D. Rate Structure – Enterprise Funds

Water Utility

The current rate structure was approved by the City Council on November 1, 2004.

Wastewater Utility

The current rate structure was approved by the City Council on November 1, 2004.

Department of Storm Water Management

The current rate structure was approved by the City Council on December 16, 2002.

E. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

c. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plans

	PERF	Utility PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Annual required contribution	\$ 183,971	\$ 156,017	\$ 709,700	\$ 1,272,100
Interest on net pension obligation	(1,722)	9,210	492,100	861,700
Adjustment to annual required contribution	1,962	(10,495)	(611,700)	(1,070,900)
Annual pension cost	184,211	154,732	590,100	1,062,900
Contributions made	138,320	246,829	104,908	367,427
Increase (decrease) in net pension obligation	45,891	(92,097)	485,192	695,473
Net pension obligation, beginning of year	(23,749)	127,032	8,202,252	14,361,356
Net pension obligation, end of year	<u>\$ 22,142</u>	<u>\$ 34,935</u>	<u>\$ 8,687,444</u>	<u>\$ 15,056,829</u>
	PERF	Utility PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:				
City	7%	12.75%	18%	35%
Plan members	3%	3%	6%	6%
Actuarial valuation date	07-01-07	07-01-07	01-01-07	01-01-07
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level	Level	Level	Level
	percentage of projected payroll, closed	percentage of projected payroll, closed	percentage of projected payroll, closed	percentage of projected payroll, closed
Amortization period	40 years	40 years	30 years	30 years
Amortization period (from date)	07-01-97	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Investment rate of return	7.25%	7.25%	6%	6%
Projected future salary increases:				
Total	5%	5%	4%	4%
Attributed to inflation	4%	4%	4%	4%
Attributed to merit/seniority	1%	1%	0%	0%
Cost-of-living adjustments	2%	2%	2.75/4%*	2.75/4%*

*2.75% converted members; 4% nonconverted members

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 116,890	108%	\$ (43,078)
	06-30-06	154,126	87%	(23,749)
	06-30-07	184,211	75%	22,142
Utility PERF	06-30-05	199,431	88%	107,336
	06-30-06	209,709	91%	127,032
	06-30-07	154,732	160%	34,935
1925 Police Officers' Pension Plan	12-31-05	574,100	43%	7,762,946
	12-31-06	625,000	30%	8,202,252
	12-31-07	590,000	18%	8,687,444
1937 Firefighters' Pension Plan	12-31-05	1,062,400	25%	13,738,265
	12-31-06	1,127,200	45%	14,361,356
	12-31-07	1,062,900	35%	15,056,829

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2007, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retirees and beneficiaries currently receiving benefits	21	39
Terminated employees entitled to but not yet receiving benefits	-	-
Current active employees	1	2

CITY OF CONNERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2007, 2006, and 2005, were \$524,521, \$517,966, and \$519,736, respectively, equal to the required contributions for each year.

CITY OF CONNERSVILLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund - Government Employees

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 1,162,903	\$ 1,738,648	\$ (575,745)	67%	\$ 2,080,688	(28%)
07-01-06	1,439,787	2,278,468	(838,681)	63%	2,163,336	(39%)
07-01-07	1,712,404	2,470,597	(758,193)	69%	2,116,198	(36%)

Utilities' Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 1,618,743	\$ 3,302,056	\$ (1,683,313)	49%	\$ 1,698,240	(99%)
07-01-06	2,332,750	3,189,925	(857,175)	73%	1,664,239	(52%)
07-01-07	2,468,720	3,356,435	(887,715)	74%	1,655,721	(54%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-02	\$ 600,507	\$ 10,048,400	\$ (9,447,893)	6%	\$ 74,200	(12,733%)
01-01-03	730,151	8,340,000	(7,609,849)	9%	228,700	(3,327%)
01-01-04	578,246	10,047,700	(9,469,454)	6%	78,300	(12,094%)
01-01-05	600,557	9,294,400	(8,693,843)	6%	39,200	(22,178%)
01-01-06	691,800	10,033,200	(9,341,400)	7%	41,000	(22,784%)
01-01-07	646,943	9,610,400	(8,963,457)	7%	41,700	(21,495%)

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-02	\$ 668,657	\$ 18,363,400	\$ (17,694,743)	4%	\$ 74,200	(23,847%)
01-01-03	854,561	16,847,200	(15,992,639)	5%	228,700	(6,993%)
01-01-04	753,561	17,984,200	(17,230,639)	4%	78,300	(22,006%)
01-01-05	608,216	16,700,400	(16,092,184)	4%	39,200	(41,051%)
01-01-06	451,233	17,851,800	(17,400,567)	3%	41,000	(42,440%)
01-01-07	692,657	17,217,000	(16,524,343)	4%	41,700	(39,627%)

CITY OF CONNERSVILLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CONTRIBUTIONS FROM THE
EMPLOYER AND OTHER CONTRIBUTING ENTITIES

1925 Police Officers' Pension Plan			
	Year	Annual	Percentage of ARC
	Ending	Required	Contributed
		(ARC)	City
1925 Police Officers' Pension Plan	12-31-02	\$ 1,067,300	25%
	12-31-03	1,086,800	26%
	12-31-04	1,166,800	23%
	12-31-05	668,400	37%
	12-31-06	730,400	25%
	12-31-07	709,700	15%
1937 Firefighters' Pension Plan	12-31-02	1,969,800	13%
	12-31-03	2,067,700	13%
	12-31-04	2,109,500	13%
	12-31-05	1,226,500	22%
	12-31-06	1,313,800	38%
	12-31-07	1,272,100	29%

CITY OF CONNERSVILLE
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	Motor Vehicle Highway	Local Road and Street	Law Enforcement Continuing Education	Park and Recreation	Restricted Donation	Cable Education
Receipts:						
Taxes	\$ 594,189	\$ -	\$ -	\$ 470,283	\$ -	\$ -
Intergovernmental	663,953	125,875	-	127,906	-	-
Charges for services	14,875	-	10,235	118,237	-	162,966
Fines and forfeits	-	-	-	-	-	-
Other	53,359	-	-	1,964	12,113	1,075
Total receipts	1,326,376	125,875	10,235	718,390	12,113	164,041
Disbursements:						
General government	-	-	-	-	13,608	154,258
Public safety	-	-	4,963	-	-	-
Highways and streets	1,030,796	150,988	-	-	-	-
Culture and recreation	-	-	-	659,792	-	-
Urban development and housing	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	1,030,796	150,988	4,963	659,792	13,608	154,258
Excess (deficiency) of receipts over disbursements	295,580	(25,113)	5,272	58,598	(1,495)	9,783
Other financing sources (uses):						
Transfers in	57,721	-	-	-	-	-
Transfers out	-	(57,721)	-	(43,729)	-	-
Total other financing sources (uses)	57,721	(57,721)	-	(43,729)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	353,301	(82,834)	5,272	14,869	(1,495)	9,783
Cash and investment fund balance - beginning	587,875	253,983	3,226	271,515	14,973	179,029
Cash and investment fund balance - ending	\$ 941,176	\$ 171,149	\$ 8,498	\$ 286,384	\$ 13,478	\$ 188,812
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 188,812
Restricted assets:						
Cash and investments	941,176	171,149	8,498	286,384	13,478	-
Total cash and investment assets - December 31	\$ 941,176	\$ 171,149	\$ 8,498	\$ 286,384	\$ 13,478	\$ 188,812
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ 13,478	\$ -
Public safety	-	-	8,498	-	-	-
Highways and streets	941,176	171,149	-	-	-	-
Culture and recreation	-	-	-	286,384	-	-
Economic development	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	188,812
Total cash and investment fund balance - December 31	\$ 941,176	\$ 171,149	\$ 8,498	\$ 286,384	\$ 13,478	\$ 188,812

CITY OF CONNERSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Aviation Commission	Cemetery	Parking Ordinance	Tax Abatement	R.U.F.F. Drug
Receipts:					
Taxes	\$ 54,444	\$ 10,795	\$ -	\$ -	\$ -
Intergovernmental	3,231	641	-	-	15,000
Charges for services	23,148	-	-	-	-
Fines and forfeits	-	-	-	-	10,500
Other	30,708	-	-	-	4,259
Total receipts	111,531	11,436	-	-	29,759
Disbursements:					
General government	156,939	21,846	-	-	-
Public safety	-	-	-	-	32,275
Highways and streets	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Urban development and housing	-	-	-	-	-
Economic development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:					
Highways and streets	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Total disbursements	156,939	21,846	-	-	32,275
Excess (deficiency) of receipts over disbursements	(45,408)	(10,410)	-	-	(2,516)
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(45,408)	(10,410)	-	-	(2,516)
Cash and investment fund balance - beginning	206,373	23,735	6,151	2,826	46,955
Cash and investment fund balance - ending	<u>\$ 160,965</u>	<u>\$ 13,325</u>	<u>\$ 6,151</u>	<u>\$ 2,826</u>	<u>\$ 44,439</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ -	\$ 13,325	\$ 6,151	\$ 2,826	\$ -
Restricted assets:					
Cash and investments	160,965	-	-	-	44,439
Total cash and investment assets - December 31	<u>\$ 160,965</u>	<u>\$ 13,325</u>	<u>\$ 6,151</u>	<u>\$ 2,826</u>	<u>\$ 44,439</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
General government	\$ 160,965	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	44,439
Highways and streets	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Economic development	-	-	-	-	-
Debt service	-	-	-	-	-
Unrestricted	-	13,325	6,151	2,826	-
Total cash and investment fund balance - December 31	<u>\$ 160,965</u>	<u>\$ 13,325</u>	<u>\$ 6,151</u>	<u>\$ 2,826</u>	<u>\$ 44,439</u>

CITY OF CONNERSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Park Restricted Donation	Drug Coalition	Seminar Training	Grant Project	Riverboat Revenue
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	2,985	-	743,400	97,178
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Other	15,861	-	-	-	-
Total receipts	15,861	2,985	-	743,400	97,178
Disbursements:					
General government	-	-	-	-	50,222
Public safety	-	7,082	-	118,658	-
Highways and streets	-	-	-	-	-
Culture and recreation	15,864	-	-	-	-
Urban development and housing	-	-	-	-	-
Economic development	-	-	-	625,000	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:					
Highways and streets	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Total disbursements	15,864	7,082	-	743,658	50,222
Excess (deficiency) of receipts over disbursements	(3)	(4,097)	-	(258)	46,956
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3)	(4,097)	-	(258)	46,956
Cash and investment fund balance - beginning	1,725	6,000	2,454	258	305,579
Cash and investment fund balance - ending	<u>\$ 1,722</u>	<u>\$ 1,903</u>	<u>\$ 2,454</u>	<u>\$ -</u>	<u>\$ 352,535</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ -	\$ 1,903	\$ 2,454	\$ -	\$ 352,535
Restricted assets:					
Cash and investments	1,722	-	-	-	-
Total cash and investment assets - December 31	<u>\$ 1,722</u>	<u>\$ 1,903</u>	<u>\$ 2,454</u>	<u>\$ -</u>	<u>\$ 352,535</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
General government	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-
Highways and streets	-	-	-	-	-
Culture and recreation	1,722	-	-	-	-
Economic development	-	-	-	-	-
Debt service	-	-	-	-	-
Unrestricted	-	1,903	2,454	-	352,535
Total cash and investment fund balance - December 31	<u>\$ 1,722</u>	<u>\$ 1,903</u>	<u>\$ 2,454</u>	<u>\$ -</u>	<u>\$ 352,535</u>

CITY OF CONNERSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Park Nonreverting	CDBG Housing Grant	Rainy Day Fund	Park Bond Debt Service	Park Pool Debt Service
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	207,442	271,555	-	-
Charges for services	22,504	-	-	22,940	-
Fines and forfeits	-	-	-	-	-
Other	-	-	-	-	-
Total receipts	22,504	207,442	271,555	22,940	-
Disbursements:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Highways and streets	-	-	-	-	-
Culture and recreation	18,181	-	-	-	-
Urban development and housing	-	207,442	-	-	-
Economic development	-	-	-	-	-
Debt service:					
Principal	-	-	-	30,000	55,000
Interest	-	-	-	38,665	63,656
Capital outlay:					
Highways and streets	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Total disbursements	18,181	207,442	-	68,665	118,656
Excess (deficiency) of receipts over disbursements	4,323	-	271,555	(45,725)	(118,656)
Other financing sources (uses):					
Transfers in	-	-	-	43,729	118,656
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	43,729	118,656
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,323	-	271,555	(1,996)	-
Cash and investment fund balance - beginning	6,012	-	-	10,576	-
Cash and investment fund balance - ending	<u>\$ 10,335</u>	<u>\$ -</u>	<u>\$ 271,555</u>	<u>\$ 8,580</u>	<u>\$ -</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ -	\$ -	\$ 271,555	\$ -	\$ -
Restricted assets:					
Cash and investments	10,335	-	-	8,580	-
Total cash and investment assets - December 31	<u>\$ 10,335</u>	<u>\$ -</u>	<u>\$ 271,555</u>	<u>\$ 8,580</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
General government	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-
Highways and streets	-	-	-	-	-
Culture and recreation	10,335	-	-	-	-
Economic development	-	-	271,555	-	-
Debt service	-	-	-	8,580	-
Unrestricted	-	-	-	-	-
Total cash and investment fund balance - December 31	<u>\$ 10,335</u>	<u>\$ -</u>	<u>\$ 271,555</u>	<u>\$ 8,580</u>	<u>\$ -</u>

CITY OF CONNERSVILLE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Cumulative Capital Improvement	Cumulative Capital Development	Park Pool Construction	CEDIT Capital Projects	Totals
Receipts:					
Taxes	\$ -	\$ 79,788	\$ -	\$ -	\$ 1,209,499
Intergovernmental	54,129	4,735	-	190,690	2,508,720
Charges for services	-	-	-	-	374,905
Fines and forfeits	-	-	-	-	10,500
Other	-	-	4,607	-	123,946
Total receipts	54,129	84,523	4,607	190,690	4,227,570
Disbursements:					
General government	-	-	-	-	396,873
Public safety	-	-	-	-	162,978
Highways and streets	-	-	-	-	1,181,784
Culture and recreation	-	-	-	-	693,837
Urban development and housing	-	-	-	-	207,442
Economic development	-	-	-	-	625,000
Debt service:					
Principal	-	-	-	-	85,000
Interest	-	-	-	-	102,321
Capital outlay:					
Highways and streets	72,486	-	-	-	72,486
Culture and recreation	-	-	4,650	120,000	124,650
Total disbursements	72,486	-	4,650	120,000	3,652,371
Excess (deficiency) of receipts over disbursements	(18,357)	84,523	(43)	70,690	575,199
Other financing sources (uses):					
Transfers in	-	-	-	-	220,106
Transfers out	-	-	-	(118,656)	(220,106)
Total other financing sources (uses)	-	-	-	(118,656)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(18,357)	84,523	(43)	(47,966)	575,199
Cash and investment fund balance - beginning	170,689	325,936	105,187	154,341	2,685,398
Cash and investment fund balance - ending	<u>\$ 152,332</u>	<u>\$ 410,459</u>	<u>\$ 105,144</u>	<u>\$ 106,375</u>	<u>\$ 3,260,597</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 152,332	\$ -	\$ -	\$ -	\$ 991,893
Restricted assets:					
Cash and investments	-	410,459	105,144	106,375	2,268,704
Total cash and investment assets - December 31	<u>\$ 152,332</u>	<u>\$ 410,459</u>	<u>\$ 105,144</u>	<u>\$ 106,375</u>	<u>\$ 3,260,597</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
General government	\$ -	\$ -	\$ -	\$ -	\$ 174,443
Public safety	-	-	-	-	52,937
Highways and streets	-	-	-	-	1,112,325
Culture and recreation	-	-	105,144	-	403,585
Economic development	-	410,459	-	106,375	788,389
Debt service	-	-	-	-	8,580
Unrestricted	152,332	-	-	-	720,338
Total cash and investment fund balance - December 31	<u>\$ 152,332</u>	<u>\$ 410,459</u>	<u>\$ 105,144</u>	<u>\$ 106,375</u>	<u>\$ 3,260,597</u>

CITY OF CONNERSVILLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2007

	Police Pension	Fire Pension	Totals
Additions:			
Contributions:			
Employer	\$ 104,908	\$ 367,427	\$ 472,335
Plan members	-	2,477	2,477
State	<u>413,630</u>	<u>727,108</u>	<u>1,140,738</u>
Total contributions	<u>518,538</u>	<u>1,097,012</u>	<u>1,615,550</u>
Deductions:			
Benefits	600,511	1,055,899	1,656,410
Administrative and general	<u>3,000</u>	<u>3,414</u>	<u>6,414</u>
Total deductions	<u>603,511</u>	<u>1,059,313</u>	<u>1,662,824</u>
Excess (deficiency) of total additions over total deductions	(84,973)	37,699	(47,274)
Cash and investment fund balance - beginning	<u>731,917</u>	<u>654,956</u>	<u>1,386,873</u>
Cash and investment fund balance - ending	<u><u>\$ 646,944</u></u>	<u><u>\$ 692,655</u></u>	<u><u>\$ 1,339,599</u></u>

CITY OF CONNERSVILLE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For The Year Ended December 31, 2007

	J. E. Roberts Trust	Community Improvement Program	D.O.E. Springs Trust	Totals
Additions:				
Contributions:				
Other	\$ -	\$ 13,028	\$ -	\$ 13,028
Investment earnings:				
Interest	673	8,370	-	9,043
Total additions	673	21,398	-	22,071
Deductions:				
Administrative and general	-	28,265	-	28,265
Excess of total additions over total deductions	673	(6,867)	-	(6,194)
Cash and investment fund balance - beginning	16,000	160,164	4,000	180,164
Cash and investment fund balance - ending	\$ 16,673	\$ 153,297	\$ 4,000	\$ 173,970

CITY OF CONNERSVILLE
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ending December 31, 2007

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

General infrastructure assets completed in the current and prior year have been reported.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 2,740,549
Infrastructure	1,359,960
Buildings	4,315,600
Improvements other than buildings	1,442,699
Machinery and equipment	5,397,018
Construction in progress	<u>2,626,785</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 17,882,611</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 58,099
Buildings	2,683,214
Infrastructure	4,724,250
Machinery and equipment	2,076,475
Improvements other than buildings	<u>5,605</u>
Total Water Utility capital assets	<u>9,547,643</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	338,737
Buildings	5,490,649
Infrastructure	5,819,943
Improvements other than buildings	56,604
Machinery and equipment	<u>2,888,396</u>
Total Wastewater Utility capital assets	<u>14,594,329</u>
Storm Water Utility:	
Capital assets, not being depreciated:	
Land	8,533
Buildings	25,793
Infrastructure	1,031,219
Improvements other than buildings	54,409
Machinery and equipment	<u>145,821</u>
Total Storm Water Utility capital assets	<u>1,265,775</u>
Total business-type activities capital assets	<u>\$ 25,407,747</u>

CITY OF CONNERSVILLE
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT

For The Year Ending December 31, 2007

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Loader & Dump Truck	\$ 124,868	\$ 39,003
Ambulance	163,470	6,987
Bonds payable:		
General obligation bonds:		
Edit-Park Pool	1,345,000	122,488
Revenue bonds:		
John Miller Building	745,000	68,265
Total governmental activities long-term debt	<u>\$ 2,378,338</u>	<u>\$ 236,743</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
Water Improvements	\$ 6,615,000	\$ 574,165
Wastewater Utility		
Revenue bonds:		
Wastewater Utility Improvements	4,210,000	490,460
Storm Water Utility		
Bond Anticipation Note	585,000	-
Total business-type activities long-term debt:	<u>\$ 11,410,000</u>	<u>\$ 1,064,625</u>

CITY OF CONNERSVILLE
OTHER REPORT

The annual report herein was prepared in addition to the official report prepared for the individual City office listed below:

Former Mayor

CITY OF CONNERSVILLE
AUDIT RESULT AND COMMENT

PRIVATE PROPERTY

On October 18, 2007, the local newspaper in Connersville, the News Examiner, had a picture on the front page, depicting the Connersville Fire Department washing the building owned by a private entity. The building was washed using the City's ladder fire truck, water, and equipment. Additionally, employees were paid by the City for hours worked on washing the building.

The building, at the intersection of 6th Street and Central Avenue, is owned by Steve and Jaunita Aubuchon. They were having restoration work done on the masonry. The building had been sandblasted in the past and required washing before the mortar could be replaced.

There was no evidence in the minutes of the Board of Public Works and Safety declaring an emergency at the above address nor was there a fire in the building.

Indiana Code 35-44-2-4 states in part the following:

"Sec. 4. (a) A public servant who knowingly or intentionally:

- (1) hires an employee for the governmental entity that he serves; and
- (2) fails to assign to the employee any duties, or assigns to the employee any duties not related to the operation of the governmental entity: commits ghost employment, a Class D felony.

(b) A public servant who knowingly or intentionally assigns to an employee under his supervision any duties not related to the operation of the governmental entity that he serves commits ghost employment, a Class D felony."

Generally, public funds may not be used to make improvements to property not owned by the governmental unit, unless permitted by statute, federal or state requirements, or safety concerns. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF CONNERSVILLE, FAYETTE COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Connerville (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2007. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the City's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 26, 2008

CITY OF CONNERSVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2007

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct Grant			
Rural Business Enterprise Grants	10.769		
Community Facilities Grant			\$ 118,400
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Housing and Community Development Authority			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	HD-006-011	207,442
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Direct Grant			
Airport Improvement Program	20.106	AIP 3-18-0013-10	1,196,546
		AIP 3-18-0013-11	906,121
Total for program			2,102,667
Total federal awards expended			\$ 2,428,509

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF CONNERSVILLE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Connersville (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

II. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2007:

Program Title	Federal CFDA Number	2007
Community Development Block Grants/State's Program	14.228	<u>\$ 207,442</u>

III. Loans Outstanding

The City had the following loan balances, with continuing federal compliance requirements, outstanding at December 31, 2007. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2007
Rural Business Enterprise Grants	10.769	<u>\$ 77,000</u>

CITY OF CONNERSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted?	no
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Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified (Disclaimer)

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no
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Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	yes
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Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF CONNERSVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF CONNERSVILLE
EXIT CONFERENCE

The contents of this report were discussed on August 26, 2008, with Leonard Urban, Mayor; Julie A. Greeson, Clerk-Treasurer; Rick Free, Fire Chief; Robert L. Beeson, Chairman of the Utility Service Board; Harold Ellison, Director of Utilities; Karen L. Lore, Utilities Office Manager; Jim Barrett and Richard Smith, members of the Utility Service Board.

Additionally, the contents of this report were discussed on August 26, 2008, with Max A. Ellison, Jr., former Mayor.